THE PUBLIC SERVICE

GROUP INSURANCE FUND

BENEFITS SUMMARY

AND

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2001

THE PUBLIC SERVICE GROUP INSURANCE FUND
BENEFITS SUMMARY AS AT APRIL 30, 2001

The Public Servants Insurance Act provides for the establishment of the Public Service Group Insurance Fund (PSGIF) which is administered by the Civil Service Superannuation Board. The PSGIF includes three plans to provide life insurance, accidental death and disablement insurance and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards.

Each of the three Plans is self-funding. Employee, retired employee and employer contributions along with investment income finance all death and disablement claims and administration costs. On the termination of the Policy, payment would be made by the Province of Manitoba to the extent that reserves are insufficient to cover any Policy deficit.

Each of the three Plans is summarized below:

a) **The Employees' Group Life Insurance Plan** (established May 1, 1960)

Most employees join the Plan at the same time they are enrolled in the Civil Service Superannuation Fund Pension Plan. Employees are automatically covered for life insurance coverage of five times annual salary, but may select a lower multiple. The maximum coverage under the plan is $1,000,000. For employees age 65 or more, insurance reduces in five year intervals based on age. Insurance automatically reduces to $3,000 once the retiree reaches age 73.

Reduced life insurance automatically continues following retirement for eligible retired employees. As an alternative, retired employees can choose a $3,000 paid-up policy. Eligible employees who retire or terminate employment due to ill health or injury may apply to continue group life (disability) insurance without making further contributions until age 65, at which time retirement insurance options are available.

b) **The Accidental Death and Disablement Plan** (established July 1, 1974)

An eligible employee who is insured under the Employees' Group Life Insurance Plan is automatically enrolled in the Accidental Death and Disablement Plan. This Plan does not insure retired employees.

The amount of accidental death and disablement insurance is based on the employee's annual salary (maximum of $25,000) and insurance class (to a maximum of class three) under the Employees' Group Life Insurance Plan. An employee's maximum insurance is therefore $75,000.

c) **The Dependents' Group Life Insurance Plan** (established May 1, 1962)

An eligible employee who is insured under the Employees' Group Life Insurance Plan may choose insurance coverage on his/her eligible dependents in the Dependents' Group Life Insurance Plan. The employee elects the amount of insurance by choosing from one unit to four units of insurance. An employee with four units of insurance, whose spouse is under age 70, would have the maximum $60,000 of insurance on his/her spouse and $12,000 of insurance on each child.

Eligible retired employees may choose to continue reduced insurance on their dependents following retirement. Eligible employees who are granted a disability benefit under the Employees' Group Life Insurance Plan also continue to have dependents' group life (disability) insurance at no cost until age 65, when retirement insurance options are available.

Office of the Provincial Auditor's Report, Management Report and Financial Statements

Attached is the Office of the Provincial Auditor's Report on the Accounts of the Public Service Group Insurance Fund, the Management Report, Financial Statements and Notes for the year ended April 30, 2001.

MANAGEMENT REPORT

The accompanying financial statements of the Public Service Group Insurance Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to September 24, 2001.

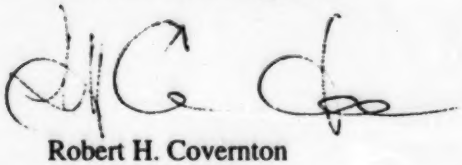
The firm of Ellement and Ellement Ltd. has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Provincial Auditor performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. The Board, as Audit Committee, established a Financial Statement Review Committee to meet with Board staff and representatives of the Provincial Auditor. It is the responsibility of the Financial Statement Review Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board, as Audit Committee, and to the Financial Statement Review Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,



Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Office of the Provincial Auditor

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba

We have audited the statement of net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2001 and the statements of changes in net assets available for benefits for the employees' group life insurance plan, the accidental death and disablement plan and the dependents' group life insurance plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2001 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Provincial Auditor

Office of the Provincial Auditor

Winnipeg, Manitoba
September 24, 2001

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit A**

Statement of Net Assets Available for Benefits

as at April 30, 2001

	2001	2000
ASSETS		
Investments, Schedule 1, Note 2(b)	$ 97,021,819	$ 92,851,436
Accounts receivable	32,401	30,812
Accrued dividends and interest	902,025	974,058
Due from Canada Life Assurance Company	1,003,295	2,257,297
Due from broker	401	-
Total assets	98,959,941	96,113,603
LIABILITIES		
Provision for future claims/liabilities, Schedule 2, Note 4		
Employees' Group Life Insurance Plan	78,682,632	79,178,776
Accidental Death and Disablement Plan	4,281,681	4,704,671
Dependents' Group Life Insurance Plan	2,393,300	2,577,701
Contributions received in advance	175,943	247,611
Due to broker	-	683,239
Accounts payable	64,861	33,716
Total liabilities	85,598,417	87,425,714
NET ASSETS AVAILABLE FOR BENEFITS		
Employees' Group Life Insurance Plan, Exhibit B	10,160,490	6,552,468
Accidental Death and Disablement Plan, Exhibit C	1,451,685	536,965
Dependents' Group Life Insurance Plan, Exhibit D	1,749,349	1,598,456
Total net assets available for benefits	$ 13,361,524	$ 8,687,889

Approved on behalf of the Board:

Chairperson of the Board

Chair, Financial Statement Review Committee

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit B**

Employees' Group Life Insurance Plan

Statement of Changes in Net Assets Available for Benefits

for the year ended April 30, 2001

	2001	2000
Increase in assets		
Contributions		
Employees	$ 7,142,943	$ 7,018,833
Employers	2,301,859	2,374,854
Retired members	743,513	804,994
Total contributions	10,188,315	10,198,681
Investment income		
Short term	975,272	1,347,113
Bonds, debentures and coupons	2,336,653	4,434,753
Equity pooled funds	703,342	86,157
Change in fair value of investments	(2,216,031)	(1,912,827)
Realized gains on sale of investments	2,478,758	52,633
Total investment income	4,277,994	4,007,829
Total increase in assets	14,466,309	14,206,510
Decrease in assets		
Death claims, Note 2(f)	10,454,227	9,561,509
Change in actuarial provisions, Schedule 2, Note 2(d)	(392,870)	6,365,442
The Civil Service Superannuation Board		
Administration fee	96,107	88,967
Investment management fee	143,660	98,278
Professional fees	73,142	30,775
Canada Life Assurance Company		
Premium taxes	217,118	198,830
Administrative fees	78,346	72,904
Conversion charges	86,747	20,000
Risk charges	7,150	7,150
Stop loss charges	77,159	59,833
Other	17,501	5,634
Total decrease in assets	10,858,287	16,509,322
Increase (decrease) in net assets	$ 3,608,022	$ (2,302,812)
Net assets at beginning of year	$ 6,552,468	$ 8,793,565
Increase (decrease) in net assets	3,608,022	(2,302,812)
Transfer from Accidental Death and Disablement Plan	-	61,715
Net assets at end of year, Exhibit A	$ 10,160,490	$ 6,552,468

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit C**
Accidental Death and Disablement Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2001

	2001	2000
Increase in assets		
Contributions, employers	$ 601,685	$ 631,117
Investment income		
Short term	52,984	67,426
Bonds, debentures and coupons	98,022	169,635
Equity pooled funds	29,109	3,271
Change in fair value of investments	(93,758)	(62,092)
Realized gains on sale of investments	101,304	3,148
Total investment income	187,661	181,388
Total increase in assets	789,346	812,505
Decrease in assets		
Death claims, Note 2(f)	150,000	-
Change in actuarial provisions, Schedule 2, Note 2(d)	(300,991)	3,128,005
The Civil Service Superannuation Board		
Administration fee	3,936	3,306
Investment management fee	5,929	3,710
Professional fees	2,754	695
Canada Life Assurance Company		
Premium taxes	3,084	(55)
Administrative fees	3,854	3,170
Risk charges	5,850	5,850
Other	210	1,319
Total (increase) decrease in assets	(125,374)	3,146,000
Increase (decrease) in net assets	$ 914,720	$ (2,333,495)
Net assets at beginning of year	$ 536,965	$ 2,932,175
Increase (decrease) in net assets	914,720	(2,333,495)
Transfer to Employees' Group Life Insurance Plan	-	(61,715)
Net assets at end of year, Exhibit A	$ 1,451,685	$ 536,965

THE PUBLIC SERVICE GROUP INSURANCE FUND **Exhibit D**

Dependents' Group Life Insurance Plan

Statement of Changes in Net Assets Available for Benefits

for the year ended April 30, 2001

	2001	2000
Increase in assets		
Contributions		
Employees	$ 1,730,661	$ 1,721,612
Retired members	208,823	187,182
Total contributions	1,939,484	1,908,794
Investment income		
Short term	32,265	55,766
Bonds, debentures and coupons	113,825	197,479
Equity pooled funds	33,665	3,854
Change in fair value of investments	(109,168)	(84,387)
Realized gains on sale of investments	117,122	2,971
Total investment income	187,709	175,683
Total increase in assets	2,127,193	2,084,477
Decrease in assets		
Death claims, Note 3(1)	2,082,500	1,392,000
Change in actuarial provisions, Schedule 2, Note 2(d)	(184,401)	(91,200)
The Civil Service Superannuation Board		
Administration fee	4,554	3,961
Investment management fee	6,860	4,385
Professional fees	3,203	886
Canada Life Assurance Company		
Premium taxes	43,136	28,746
Administrative fees	15,539	10,849
Claims charge	2,128	1,554
Other	2,781	2,501
Total decrease in assets	1,976,300	1,353,682
Increase in net assets	$ 150,893	$ 730,795
Net assets at beginning of year	$ 1,598,456	$ 867,661
Increase in net assets	150,893	730,795
Net assets at end of year, Exhibit A	$ 1,749,349	$ 1,598,456

THE PUBLIC SERVICE GROUP INSURANCE FUND **Schedule 1**

Summary of Investments
as at April 30, 2001

	2001	2000
Fixed income investments		
Cash and short term		
Government and corporations	$ 14,806,943	$ 36,626,987
Bonds, debentures and coupons		
Government of Canada	21,179,420	18,007,428
Ontario Hydro	824,665	822,180
Province of British Columbia	125,250	1,171,400
Province of Manitoba	197,800	190,700
Province of Ontario	2,865,171	1,069,921
Province of Quebec	3,786,788	3,001,200
Province of Saskatchewan	402,000	374,488
Asset-backed securities	-	1,164,565
Mortgage-backed securities	1,112,301	1,485,312
Corporations	7,983,537	8,819,431
	38,476,932	36,106,625
Total fixed income investments	53,283,875	72,733,612
Equity investments		
Pooled funds		
Domestic	23,720,947	10,157,341
Foreign	20,016,997	9,960,483
Total equity investments	43,737,944	20,117,824
Investments, Exhibit A	$ 97,021,819	$ 92,851,436

THE PUBLIC SERVICE GROUP INSURANCE FUND **Schedule 2**

Schedule of Changes in Provision for Future Claims/Liabilities
as at April 30, 2001

	2001	2000
Employees' Group Life Insurance Plan		
Balance beginning of year	$ 79,178,776	$ 72,813,334
Transfer of actuarial surplus payments to employers, Note 6		
Manitoba Public Insurance Corporation	(103,274)	-
	79,075,502	72,813,334
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(2,884,200)	(931,100)
Interest accrued	4,431,630	4,363,659
Changes in actuarial reserves	(1,940,300)	2,932,883
Subtotal, Exhibit B	(392,870)	6,365,442
Provision for future claims/liabilities, Exhibit A	$ 78,682,632	$ 79,178,776
Accidental Death and Disablement Plan		
Balance beginning of year	4,704,671	1,576,666
Transfer of actuarial surplus payments to employers, Note 6		
Manitoba Public Insurance Corporation	(121,999)	-
	4,582,672	1,576,666
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	-	(53,966)
Interest accrued	208,409	259,230
Changes in actuarial reserves	(509,400)	2,922,741
Subtotal, Exhibit C	(300,991)	3,128,005
Provision for future claims/liabilities, Exhibit A	$ 4,281,681	$ 4,704,671
Dependents' Group Life Insurance Plan		
Balance beginning of year	$ 2,577,701	$ 2,668,901
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(308,201)	(158,100)
Interest accrued	135,000	142,500
Changes in actuarial reserves	(11,200)	(75,600)
Subtotal, Exhibit D	(184,401)	(91,200)
Provision for future claims/liabilities, Exhibit A	$ 2,393,300	$ 2,577,701

THE PUBLIC SERVICE GROUP INSURANCE FUND

Notes to Financial Statements
for the year ended April 30, 2001

1. Nature of Operations

The Public Servants Insurance Act (the Act) provides for the establishment of the Public Service Group Insurance Fund (the Fund). The Civil Service Superannuation Board is responsible for the administration of the Fund and the group insurance policies agreed to by representatives of the employees and employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company. The Fund's operations are reported separately for:

the Employees' Group Life Insurance Plan,
the Accidental Death and Disablement Plan, and
the Dependents' Group Life Insurance Plan.

This separate reporting is consistent with the financial arrangements with the insurance company.

The Fund's fiscal year coincides with the insurance policy year for each Plan.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Fund are prepared on a going-concern basis as a separate financial reporting entity, in accordance with generally accepted accounting principles.

(b) Investments

Investments are allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

(i) Short term investments are recorded at cost, which approximates market value.

(ii) Bonds, debentures and coupon investments are recorded at year end market values determined by independent sources.

(iii) Equity pooled funds are recorded at year-end market prices as listed on the appropriate stock exchange.

(c) Foreign currency translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Provision for future claims/liabilities

A provision for future claims/liabilities for each Plan has been established using the latest triennial actuarial valuation report of the Fund as at December 31, 2000. This provision has been projected by Ellement and Ellement, consulting actuaries, to April 30, 2001.

2. Significant Accounting Policies (con't)

(e) Investment income

Investment income is allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals.

(f) Death claims

Death claims include current and prior year death and disablement claims reported to the Fund up to July 1, following the year-end.

(g) Expenses

Direct costs are charged to each Plan. The Civil Service Superannuation Board administration fee, investment management fee, and other indirect administration costs are prorated between Plans based on monthly unit values, which are based on contributions and withdrawals.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk and maintain the required liquidity, the asset mix is at 55% fixed income and 45% equity as at April 30, 2001.

Term to maturity	2001	2000
Less than one year	$14,839,875	$36,685,612
One to five years	10,757,000	14,722,000
Over five years	27,687,000	21,326,000
Total fixed income investments	$53,283,875	$72,733,612

Credit risk is the risk of loss from the failure of a counterparty to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities, established investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 95% must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at April 30, 2001 external fund managers had entered into forward foreign exchange contracts valued at $41,122 (2000-$37,202) on behalf of the Fund.

4. Actuarial Valuations

In accordance with the Act, an actuarial report is required at least once every three years. The last triennial actuarial valuation report on the three plans administered by the Fund was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 2000.

The actuarial report contemplates that the Fund and each Plan will continue to be in existence and that employees and dependents will continue to participate in these Plans on the completion of eligibility requirements. Significant long-term actuarial assumptions used in determining the provision for future claims/liabilities were:

Annual rate of return	6.00%
Salary escalation rates:	
(i) general increases	
a) inflation component	3.00%
b) productivity component	0.50%
(ii) service, merit and promotional increases	*

* the rates used vary by gender and age grouping from a high of 3.0% to a low of 0%

The valuation indicated the following net assets available for benefits / surpluses:

	April 30, 2001 valuation projection Exhibit A	December 31, 2000 valuation
Employees' Group Life Insurance Plan	$10,160,490	$11,981,893
Accidental Death & Disablement Plan	$1,451,685	$1,331,685
Dependents' Group Life Insurance Plan	$1,749,349	$2,063,407

5. Termination of Policies

Upon termination of the policy in place for the Employees' Group Life Insurance Plan, the Accidental Death and Disablement Plan or the Dependents' Group Life Insurance Plan, the insurer will remit any net policy surplus as a final refund to the Fund for the applicable Plan. If there is a net policy deficit, a payment will be made to the insurer from the appropriate Plan's surplus funds. To the extent that the appropriate Plan's surplus funds are not sufficient to cover any net policy deficit, payment to the insurer will be made by the Minister of Finance.

6. Transfer of Employer Actuarial Surplus

In 1996, the Government of the Province of Manitoba passed an amendment to the Act. The amendment permits a payment of an actuarial surplus in the Fund to be made to the Minister of Finance on behalf of the employers. The payment amount requires the actuary's approval and negotiated agreement between the employer and employees.

7. Plan Changes

Effective July 3, 1999, the three Plans had either benefit improvements or contribution reductions, or both.

8. Status of Fund

The Government of the Province of Manitoba and Canada Customs and Revenue Agency are having discussions concerning the status of the Fund for income tax purposes. In the opinion of the Province's legal counsel, the Fund is not a taxable entity.